

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF POSTAL SERVICE WITNESS MCCRERY
TO INTERROGATORY OF
DISCOVER FINANCIAL SERVICES LLC & MORGAN STANLEY, INC.
REDIRECTED FROM WITNESS ABDIRAHMAN
(DFS&MSI/USPS-T22-1(b-g))
(July 28, 2006)

The United States Postal Service hereby provides the response of witness Marc D. McCrery to DFS&MSI/USPS-T22-1(b-g), filed on July 14, 2006. These subparts were redirected from witness Abdirahman.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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DFS-MSI/USPS-T-22-1.

Attached please find two figures from USPS witness Shah's testimony in N2006-1, one labeled "Current Network Complexities", the other labeled "Network Simplification".

(a) Using the Shah figure, please indicate for each modeled rate category of First Class Presort letters in this case, how your mail flow model would change under Network Simplification. For example, indicate changed entry points, consolidation of steps in the existing mail flow model, and elimination of redundant steps. For purposes of your answer, assume that DIOSS and DBCS with 300 bin capacities are fully deployed.

(b) Assuming Network Realignment moves forward along the lines currently envisioned by the USPS, will the relative value to the Postal Service of presorting letters to the 3 digit level and the 5 digit level remain the same as today or will it be different? If different please fully explain your answer.

(c) Assuming Network Realignment is completed according to the Postal Service's current plans, will the value to the Postal Service of presorting letters to the 3 digit level under existing DMM guidelines become diminished versus presorting just to the AADC level. If your answer is anything other than an unqualified "No.", please fully explain.

(d) If your answer to (c) was in the affirmative, does the Postal Service envision dropping the 3 digit presort requirement currently in the DMM in favor of an AADC presort requirement?

(e) If your answer to (d) was in the affirmative, does the Postal Service envision eliminating the 3-digit presort rate category?

(f) If your answer to (e) was in the affirmative, has the Postal Service contemplated the financial impact on the private sector?

(g) If your answer to (e) was in the affirmative, please explain fully whether such a change would, or would not, involve avoiding fewer costs for the Postal Service in mail processing than are avoided at present.

Response:

a. Retained by Witness Abdirahman.

b. Remain relatively the same.

c. No. In fact, the preliminary plans dictate that both the 5-digit and 3-digit levels would remain, with increased use of both 5-digit and 3-digit schemes.

d – g. N/A